



Republic of the Philippines
Department of Education
Region IV (A) – CALABARZON
City Schools Division Office of Antipolo
District I – A



ANTIPOLO CITY SENIOR HIGH SCHOOL
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**STUDENT'S ACTIVITY SHEET (SAS) FOR
FUNDAMENTALS OF ACCOUNTANCY BUSINESS AND MANAGEMENT (FABM) 2**

SAS# 3 MELC 3 (MODULAR MODALITY)

TITLE/LESSON 2: STATEMENT OF COMPREHENSIVE INCOME (SCI)

I: OBJECTIVES:

At the end of the lesson, YOU are expected to:

- A. distinguish the types of business according to activities;
- B. differentiate the elements of SCI of service and merchandising business; and
- C. recognize the value of identifying the elements of SCI of service and merchandising business.

A. Content Standard: The learners demonstrate an understanding of the service income and operating expenses of a service business as well as sales, contra sales, purchases, contra purchase accounts, cost of goods sold and general administrative and selling expenses of a merchandising business that will equip him/her in the preparation of the SCI for both service and merchandising businesses.

B. Performance Standard: The learners are able to solve exercises and problems that require preparation of SCI for a service business and a merchandising business

C. Most Essential Learning Competency:

Identify the elements of SCI and describe each of these items for a service business and a merchandising business (ABM_FABM12- Ic-d-5)

II: LEARNING RESOURCES

- A. Materials/IMs Needed:
- B. References:
 - a. TG for SHS
 - b. Fundamentals of Accountancy, Business, and Management 2
by Solita A. Frias Phoenix Publishing p. 19-24
 - c. Fundamentals of Accountancy, Business, and Management 2
by Dani Rose C. Salazar Rex Book Store p. 33-43
- C. Additional Materials and Learning Resources:
https://lrmds.deped.gov.ph/k_to_12

III: TIME FRAME: 3hours or 180 minutes

IV: INTRODUCTION/RATIONALE:

One of the most important financial statements of a business is the Statement of Comprehensive Income or SCI. It is the same as the Income Statement in a lot of ways. Having said that, there is a difference between the SCI and the Income Statement, although it is beyond the scope of high school accounting and will be discussed more in advanced accounting subjects.

In this lesson, you will be guided with lots of activities. This tool will keep you engaged with more meaningful opportunities and independent learning at your own time and pace.

Just like the previous SAS, this activity sheet is divided into parts:

1. The first part of this activity sheet will give you an idea of the knowledge, skills, and attitude that are expected from you to learn. (What I need to know?)

2. The second part is an activity wherein your prior knowledge will be tested. (What is/are new?)
3. The third part includes an activity that aims to check what you already know about the lesson to take. (What I Know?)
4. The fourth part is a brief drill or review to help you link the current lesson with the previous one. (What's in?)
5. The fifth- part provides you with a discussion of the lesson. This aims to help you discover and understand new concepts and skills. (What it is?)
6. The sixth-part consisted of activities for independent practice to solidify your understanding and skills of the topic. (What's more?)
7. The seventh-part of this section provides an activity that will help you transfer your new knowledge or skill in real-life situations or concerns. (What I can do?).
8. The eight-part is another activity that will be given to you to enrich your knowledge or skill of the lesson learned. This also tends to the retention of learned concepts. (What other enrichment activities can I engage in?)
9. The ninth-part includes questions or blank sentences/paragraphs to be filled in to process what you learned from the lesson. (What I have learned)
10. The tenth-part is the task to evaluate your level of mastery in achieving the learning competency. (What I can do?)
11. For the last part, you will write your significant learning in the form of reflection on what you gained from the lesson. (Reflection)

NOTES:

1. ALL PRE NUMBERED ACTIVITIES AND QUESTIONS SHOULD BE WRITTEN CHRONOLOGICALLY IN A SEPARATE SHEET OF PAPER (INTERMEDIATE PAD) .

2. RUBRICS OR SCORING GUIDE CAN BE FOUND AT THE LAST SHEET.

What I need to know

At the end of the lesson, you are expected to:

- A. distinguish the types of business according to activities
- B. differentiate the elements of SCI of service and merchandising business; and
- C. recognize the value of identifying the elements of SCI of service and merchandising business

What's New Activity 3.1 IDENTIFY ME... S or M (5 minutes)

- A. Name at least 5 business within your community or barangay and identify them according to activity, **Service, Merchandising or Manufacturing**
- B. Identify the following business whether it is a SERVICE business or MERCHANDISING business.

1. advertising agency	6. hardware
2. beauty parlor	7. drugstore
3. gift shop	8. bookstore
4. law office	9. medical clinic
5. dental clinic	10. sari sari store

Questions:

1. What business is common in your community?
2. How did you identify them?

What I know?

Activity 3.2 “WORD POOL” (15 minutes)

Given the pool of words, choose the elements of SCI by writing it on your answer sheet.

professional fees	capital
sales	advertising expense
delivery truck	interest income
salaries expenses	utilities
cost of service	freight in
	freight out

Questions:

1. Choose at least three (3) of the account titles in the box and explain each.
2. How could these accounts affect the preparation of SCI?

What's in?

Activity 3.3 “WHAT’S YOURS, WHAT’S MINE and WHAT’S OURS” (20 minutes)

On the left side are some elements of SCI. Use the VENN diagram to show the relationship of the two business activities in terms of elements or accounts.

ELEMENTS
Sales Revenue
Professional Fee
Merchandise Inventory
Freight In
Purchases
Salaries Expense
Utility expense
Depreciation expense
Purchase Discount
Bad Debts

SERVICE MERCHANDISING

Questions:

1. What accounts are used for service business? merchandising business?
2. What accounts are used in both types of business activities?
3. Can you think of other accounts that can be used in both business activities?

What is it?

Read and comprehend (40 minutes)

Lesson 1 Statement of Comprehensive Income

Statement of Comprehensive Income or SCI is a statement that reports the results of operations of the business for a specific period of time which is called **net income** if it is a net positive result while a **net loss** if it is a net negative result. This can be prepared for a month, a quarter, or a year. (Haddock, Price, & Farina, 2012)

It contains the following information:

- Revenue generated by operating the business

- Costs spent to generate the revenue
- Income, which is the excess of revenue over costs.

SCI accounts are called **TEMPORARY ACCOUNTS** which are also known as **nominal accounts**. They are called such because at the end of the accounting period, balances under these accounts are transferred to the capital account, thus having only temporary amounts and resulting in zero beginning balances at the beginning of the following year. (Haddock, Price, & Farina, 2012). Examples of temporary accounts include revenues, sales, utilities expense, supplies expense, salaries expense, depreciation expense, interest expense among others.

Components of the Statement of Comprehensive Income

- **Income** refers to a transaction that increases assets and/or decreases liabilities leading to increase in equity resulting from the operations of the business and not the owner's contribution.
- **Expenses** are transactions that decrease assets and/or increase liabilities leading to a decrease in equity resulting from the operations of the business and not because of distributions to owners.

What are the TWO KINDS OF INCOME?

- **Revenues** are income generated from the primary operations of the business.
- **Gains** are income derived from other activities of the business.

What is the difference between the SCI of a Service Company and the SCI of a Merchandising Company?

The main difference of the Statements of the two types of business lies on how they generate their revenue. A **service company** provides services in order to generate revenue and the main cost associated with their service is the cost of labor which is presented under the account Salaries Expense. On the other hand, a **merchandising company** sells goods to customers and the main cost associated with the activity is the cost of the merchandise which is presented under the line item Cost of Goods.

What are the TWO KINDS OF EXPENSES?

- **Expenses** are related to the primary operations of the business.
- **Losses** are from other activities of the business

Accrual Concept of Accounting

What is ACCRUAL?

Accrual, which is one of the fundamental concepts of financial accounting, is the concept that dictates when an item must be reported on the SCI.

It states that revenue must be reported on the accounting period that it was earned. Similarly, expenses must be reported during the same reporting period they were incurred.

When are revenues earned and expenses incurred?

- **Revenue** is recognized in the period of delivery.
- **Expense**, on the other hand, is recorded in the same period of the revenue it was able to generate. The allocation may be a direct one to one correspondence or an indirect estimate based on rational allocation. However, should there be no rational way to allocate, the costs are expensed on the period they were incurred.

Elements of the Statement of Comprehensive Income

Revenue

The **Sales Revenue** account is generally used to describe revenue derived from selling of goods. A more specific account name may be used to identify the goods sold such as Office Supplies Sales, Book Sales, Food Sales, etc.

Revenue from sales of goods is recognized when goods have been delivered. However, customers are allowed to return goods that do not meet their quality standards. When goods are returned, it is not deducted from Sales. Rather, normal accounting practice is to report it under the account name Sales Return and Allowances – a contra Sales account.

Expenses

Cost of Goods Sold (Cost of Sales)

For trading operations, Cost of Sales collects the cost of the merchandise sold including the purchase price of inventory, brokerage, and shipment cost to bring the goods to the premises of the company. This shipment cost is called *freight-in*.

Cost of sales is part of inventory accounting. Accountants have two ways of keeping records of inventory – *perpetual inventory system* and *periodic inventory system*.

Perpetual means that the Inventory and Cost of Goods Sold accounts are “perpetually” updated. The inventory account is increased when goods for sale are acquired and decreased when goods are sold. The Cost of Goods Sold account is updated every time a sale is made.

Periodic means the Inventory account is only “periodically” updated, meaning the inventory account is updated only at the end of the year or end of the month.

Sales This is the total amount of revenue that the company was able to generate from selling products

Contra revenue is called contra because it is on the opposite side of the sales account. The sales account is on the credit side while the reductions to sales accounts are on the debit side. This is “contrary” to the normal balance of the sales or revenue accounts. (Haddock, Price, & Farina, 2012)

Sales returns – This account is debited in order to record returns of customers or allowances for such returns. (Haddock, Price, & Farina, 2012) Sales returns occur when customers return their products for reasons such as but not limited to defects or change of preference.

Sales discount – This is where discounts given to customers who pay early are recorded. (Haddock, Price, & Farina, 2012) Also known as cash discount. This is different from trade discounts which are given when customers buy in bulk. Sales discount is awarded to customers who pay earlier or before the deadline.

Net Sales = Sales less Sales returns and Sales discount

Cost of Goods Sold – This account represents the actual cost of merchandise that the company was able to sell during the year. (Haddock, Price, & Farina, 2012)

Beginning inventory – This is the amount of inventory at the beginning of the accounting period. This is also the amount of ending inventory from the previous period. iv.ii. Net Cost of Purchases = Purchases + Freight In

Net Purchases = Purchases – (Purchase discount and purchase returns)

Purchases – is the amount of goods bought during the current accounting period.

Contra Purchases – An account that is credited being “contrary” to the normal balance of Purchases account.

Purchase discount – Account used to record early payments by the company to the suppliers of merchandise. (Haddock, Price, & Farina, 2012) This is how buyers see a sales discount given to them by a supplier.

Purchase returns – Account used to record merchandise returned by the company to their suppliers. (Haddock, Price, & Farina,2012) This is how buyers see a sales return recorded by their supplier

Freight In – This account is used to record the transportation costs of merchandise purchased by the company. (Haddock, Price, & Farina, 2012) It is called freight in because this is recorded when goods are transported into the company.

Cost of Goods Available for Sale = Beginning inventory + Net cost of Purchases

Ending inventory – amount if inventory presented in the Statement of Financial Position. This is the total cost of inventory unsold at the end of the accounting cycle.

Gross Profit = Sales less Cost of Goods Sold

General and Administrative Expenses –These expenses are not directly related to the merchandising function of the company but are necessary for the business to operate effectively. (Haddock, Price, & Farina, 2012)

Selling Expenses – These expenses are those that are directly related to the main purpose of a merchandising business: the sale and delivery of merchandise. This does not include the cost of goods sold and contra revenue accounts. (Haddock, Price, & Farina, 2012)

Net Income = Gross Profit Less General and Administrative Expenses Less Selling Expenses

What's more?

Activity 3.4 "LET'S TRY THIS" (20 minutes)

Given the following transactions, identify the type of business activity, the elements of the SCI, and give a proper description. Copy the table and write your answer on the space provided.

TRANSACTION	TYPE OF BUSINESS ACTIVITY	ELEMENTS of SCI	DESCRIPTION
1. Viktor earned P5,000 from his vulcanizing shop			
2. Sean received P2,000 as payment for the sale of his love birds in his pet shop business			
3. Yasmeen bought 10 bottles of perfume from her supplier			
4. Atty. Perez paid the salaries of his law firm staff.			
5. Kobe returned the defective toys he bought from Koko and Lili's Shop			

Questions:

1. What transactions fall under the service business? merchandising business?
2. How does service business differ from merchandising business?
3. Why is it important to identify the elements of SCI in both service and merchandising business?

What I can do?

Activity 3.5 "I CAN DO THIS" (15 minutes)

Inah had the following expense accounts for the year ended December 31, 2019:

- A. Salaries of admin personnel
- B. Salaries of janitors

- C. Salaries of sales agents
- D. Utilities of home office
- E. Rent for office building
- F. Depreciation of office equipment
- G. Depreciation of delivery van
- H. Advertising
- I. Cost of merchandise sold during the year

Required: Identify whether the account is:

- an element of SCI under **service or merchandising** business
- **general and administrative expenses** or **selling expenses**

Questions:

1. What are the expense accounts that are classified under general and administrative expenses and selling expenses?
2. How does general and administrative expenses differ from selling expenses?

What other Enrichment activities can I engage in? (Additional Activities)

Activity 3.6 “I WANT TO BE RICH” (15 minutes)

Explain the following statement. Be guided by the rubric on how your answer will be assessed.

- A company that is earning income even without existing cash on hand
- A company that is losing even with cash lots of available funds.

Please see the rubrics on the last page of this activity sheet

What have I learned? (Application)

Activity 3.7 “I LEARNED THAT....” (15 minutes)

Think of a service business or a merchandising business you want to have in the future. List down ten (10) possible accounts that you will use in preparing a Statement of Comprehensive Income and describe each in your own words.

(Point system: 2 points per account)

What I can do? (Assessment)

Activity 3.8 “QUIZ” (20 minutes)

IDENTIFY THE FOLLOWING:

1. Which account is used in the service business?

A. purchases	C. repair income
B. freight in	D. sales discount

2. What account is a contra account in the Statement of Comprehensive Income?

A. allowance for impairment loss	C. purchase discount
B. accumulated depreciation	D. sales

3. Which account is a nominal account?

A. accrued expense	C. unearned income
B. bad debts	D. cash

4. Which of the following is **NOT a service** business account?

A. capital	C. expenses
B. depreciation	D. purchases

5. What is the positive difference between revenue and expense?

A. excess	C. loss
B. income	D. surplus

6. What account is subtracted from Cost of Goods Available for Sale to obtain Cost of Goods Sold?

A. ending Inventory	C. purchases
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B. freight in

D. sales

7. What account should be added to Purchases to obtain the Net cost of Purchases?

A. beginning inventory

C. purchase discount

B. freight in

D. sales

8. Which account is used for both merchandising and service business?

A. depreciation

C. repair expense

B. purchases

D. cost of sales

9. What kind of expenses are not directly related to the merchandising function of the company but are necessary for the business to operate effectively?

A. administrative expenses

C. selling expenses

B. general expense

D. all of the above

10. Which account is used to collect the cost of the merchandise sold including the purchase price of inventory, brokerage, and shipment cost to bring the goods to the premises of the company?

A. cost of sales

C. cost of inventory

B. cost of materials

D. cost of merchandise

VII. REFLECTION: Activity 3.9 (20 minutes)

Based on the activity/ies conducted, write a short reflection about your learning in a sheet of paper. Refer to the guide below. Attach this in your answer sheets.

- ✓ **Look** for the concepts that you learned.
- ✓ **Think** about your understanding of the concepts that you learned.
- ✓ **Learn** about yourself. Assess if you understood the concept well.
- ✓ **Plan** your next step about the application of concepts learned.

RUBRICS

	Needs Improvement 2	Adequate 3	Quality 4	Exemplary 5
Understanding / Application	Demonstrates little understanding of course theories and ideas applied to analysis of case situations	Demonstrates fair understanding of course theories and ideas applied to analysis of case situations	Demonstrates adequate understanding of course theories and ideas applied to analysis of case situations	Demonstrates deep understanding of course theories and ideas applied to analysis of case situations
Content & Relevance	Addresses the issue randomly ; incorporates relevant course content into responses; uses specific information from case in response	Addresses the issue partly ; incorporates relevant course content into responses; uses specific information from case in response	Addresses the issue basically ; incorporates relevant course content into responses; uses specific information from case in response	Addresses the issue comprehensively ; incorporates relevant course content into responses; uses specific information from case in response
Organization of Ideas	Information and ideas are poorly sequenced (the author jumps around). The	Information and ideas are presented in an order that the audience can follow	Information and ideas are presented in a logical sequence which is followed by	Information and ideas are presented in a logical sequence which flows naturally and is

	audience has difficulty following the thread of thought	with minimum difficulty .	the reader with little or no difficulty .	engaging to the audience.
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TOTAL: ___/15

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